UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/48/501
15 October 1993

ORIGINAL: ENGLISH

Forty-eighth session
Agenda item 32

COMPLETE WITHDRAWAL OF FOREIGN MILITARY FORCES FROM THE TERRITORIES OF THE BALTIC STATES

Report of the Secretary-General

I. INTRODUCTION

1. One of the major issues of concern to the Baltic States is the withdrawal of the armed forces of the former Soviet Union from Estonia, Latvia and Lithuania. Following the recognition of the restoration of their independence by the Russian Federation on 24 August 1991, and by the Soviet Union on 6 September 1991, the Baltic States pressed for the removal of the Soviet (now Russian) armed forces from their respective territories.

2. Several rounds of negotiations on the subject were held between the delegations of Estonia, Latvia and Lithuania and the Russian Federation during 1992 and 1993, following the declaration by the latter, on 16 January 1992, that it had assumed jurisdiction over the former Soviet troops deployed in the Baltic States. All four Governments agreed that the issues to be negotiated would be the complete withdrawal of those troops from the three Baltic States, as well as issues regarding the Russian population, former Soviet property, transfer of part of the former Soviet forces' weapons to the three republics and territorial questions. Despite the general understanding that the Russian troops should be removed from the region, no agreements on the terms of their withdrawal were reached.

3. An item on the complete withdrawal of foreign military forces from the territories of the Baltic States was included in the agenda of the forty-seventh session of the General Assembly. By its resolution 47/21 of 25 November 1992, which was adopted without a vote, the Assembly, inter alia, called upon all States concerned "to conclude without delay appropriate agreements, including timetables, for the early, orderly and complete withdrawal of foreign military forces from the territories of Estonia and Latvia". The General Assembly also urged the Secretary-General to use his good offices to facilitate the complete withdrawal of foreign military forces from the territories concerned, and requested the Secretary-General to keep Member States informed of progress

towards the implementation of the resolution and to report thereon to it at its forty-eighth session.

II. ACTIVITIES OF THE SPECIAL ENVOY OF THE SECRETARY-GENERAL

4. Pursuant to resolution 47/21, I kept myself closely informed on the continuing negotiations between the three Baltic States and the Russian Federation. In August 1993, I appointed Professor Tommy Koh, Ambassador-at-Large in the Ministry of Foreign Affairs of Singapore, as my Special Envoy to lead a good offices mission to the Russian Federation, Lithuania, Latvia and Estonia, and to report to me on how I might most effectively use my good offices. The mission visited all four States from 29 August to 9 September 1993.

5. Prior to leaving New York, the mission held consultations from 24 to 27 August 1993 with the representatives of Estonia, Latvia, Lithuania and the Russian Federation, as well as with those of Denmark, Finland, Germany, Poland, Sweden and the United States of America.

Consultations in Moscow

6. In Moscow, the mission met with officials of the Foreign and Defence Ministries, as well as members of Parliament, including Mr. Stepashin, Chairman of the Parliament's Commission on Defence and Security, Deputy Defence Minister B. Gromov and the heads of the Russian Federation's three negotiating teams, Ambassadors S. Zotov (Latvia), V. Isakov (Lithuania) and V. Svirin (Estonia). The mission also paid a visit to a military camp outside Moscow to see the housing conditions of troops and their families who had been withdrawn from Lithuania.

Visit to Lithuania

7. In Lithuania, the mission met with Mr. A. Brazauskas, the President of Lithuania, with the Chairman of Parliament, Mr. C. Jursenas, with the Ministers of Foreign Affairs and National Defence and with the Lithuanian negotiating team. It also held a meeting with representatives of retired Russian military personnel and inspected a military camp from which Russian troops had been withdrawn.

Visit to Latvia

8. In Latvia the mission met with Mr. G. Ulmanis, the President of Latvia, and with the Chairmen of the Parliamentary Committees on Human Rights, Foreign Relations, Defence and Interior Affairs and National Security. The mission also met with the Foreign Minister and with the Latvian negotiating team, as well as with officials of the Russian North-West Military Group and with retired Russian military officers.

9. In addition, by special arrangement with Russian and Latvian military officials, the Special Envoy was able to inspect two Russian strategic installations in Latvia: the naval base at Liepaja and an anti-ballistic missile early-warning radar station at Skrunda.

Visit to Estonia

10. In Estonia the Special Envoy met with Mr. L. Meri, the President of Estonia, and the Prime Minister, Mr. M. Laar, and held consultations with the Minister of Defence, who is the head of the Estonian negotiating team, with the Minister of Foreign Affairs and with the Minister of the Environment. The Special Envoy also met with retired Russian military personnel and was briefed by the Head of the human rights mission to Estonia of the Conference on Security and Cooperation in Europe (CSCE).

11. The mission was given an opportunity to inspect a Russian submarine training centre at Paldiski and to discuss with Russian and Estonian officials problems related to the removal of nuclear reactors located there.

Return to Moscow

12. After visiting the three Baltic States, the Special Envoy resumed his consultations in Moscow. In particular, he met again with the heads of the three Russian negotiating teams, with the Deputy Foreign Minister, Mr. V. Churkin, and with Mr. S. Krasavchenko, First Deputy Head of the Administration of the President of the Russian Federation.

III. CURRENT STATE OF THE NEGOTIATIONS

13. Russian officials confirmed to my Special Envoy their readiness to withdraw their remaining troops from Estonia and Latvia. The only outstanding problems are the terms and conditions of their withdrawal and the satisfactory resolution of some related issues. Since 1992, the Russian Federation has withdrawn most of its combat units from the Baltic States. However, as the remaining troops in Estonia and Latvia are among the last to be brought back to the Russian Federation from countries in Eastern Europe, the problem of finding adequate housing for them is particularly acute. The question of troop withdrawal has become a domestic political issue in all the countries concerned.

A. Lithuania

14. The last Russian combat unit was withdrawn from Lithuania on 31 August 1993. Only a few hundred unarmed Russian troops remain to take care of military hospitals and other administrative details. These will be withdrawn shortly. As far as Lithuania is concerned, therefore, the objective of General Assembly resolution 47/21 has almost been achieved. The two remaining major issues to be resolved are the status and social benefits of retired Russian military personnel and the right of transit by the Russian Federation through Lithuania to the Kaliningrad Oblast.

B. Estonia

15. In Estonia approximately 5,000 Russian troops remain. There has been no agreement between the Russian Federation and Estonia on a deadline for their total withdrawal. Unlike in the case of Lithuania, the Russian Federation has

said that it will not agree to withdraw its remaining troops from Estonia until binding legal agreement on outstanding issues has been achieved. Estonia has accepted this condition, provided, of course, that the substance of such an agreement is acceptable. The Russian Federation has further linked the date of withdrawal with two other issues:

(a) The status and social benefits of retired Russian military personnel;

(b) An agreement on the submarine training centre at Paldiski.

Date of withdrawal

16. Regarding the date of withdrawal, the Estonian authorities wish all Russian troops to be withdrawn before the end of 1993. The Russian Federation has offered to withdraw them by the end of 1994, explaining that, although the number of troops to be withdrawn is not large, accommodation for them and their families has not yet been built. The Government of Estonia has expressed its willingness to participate in a multinational effort to build the necessary housing.

Retired Russian military personnel

17. The second issue concerns the status and social benefits of approximately 52,000 retired Russian military personnel in Estonia. Most of them would like to continue to reside in that country. However, they fear that article 12, paragraph 4, subparagraph 7, of the Law on Aliens could lead to their expulsion. This subparagraph reads:

"(4) A residence permit shall not be issued to an alien:

"...

"(7) Who has served in a career position in the armed forces of a foreign State or has entered the reserve forces or has retired from a career position in the armed forces of a foreign State, nor to his or her family members, who have entered Estonia in conjunction with the service or retirement of a member of such armed forces."

18. The Government of Estonia is now preparing a decree to implement the Law on Aliens. This decree would permit all affected persons over the age of 60 to reside in Estonia. Those below the age of 60 would be treated on a case-by-case basis and certain individuals, in particular those who had acted against the Estonian State and its security, would be denied residence permits.

19. The United Nations and CSCE missions have recommended to the Estonian authorities that they consider a provision under which all those who had retired before a cut-off date, such as the date on which Estonia regained its independence, would be entitled to residence permits. This would ensure that the retired Russian military personnel would no longer enjoy special rights and privileges but would not be discriminated against and would be treated with fairness and humanity. In the Special Envoy's view, if they wish to become Estonian citizens they must be loyal to Estonia, learn its language and respect its culture. It should be noted that the Law on Aliens itself has a specific

clause that deals with persons who have acted against the Estonian State and its security and with other objectionable persons.

Paldiski

20. The third issue in Estonia concerned Paldiski, where the Soviet Union maintained an important submarine training centre that has since been closed. There are two nuclear-powered submarines at the centre. Their nuclear reactors have been deactivated, but the question that divides the two sides concerns the amount of time it would take the Russian authorities to remove the nuclear fuel rods from the two reactors, to remove the nuclear waste in storage, to remove the reactors and other secret military matériel and to clean up the site ecologically. The Government of Estonia has built a rail link to Paldiski, which would make it possible to remove the reactors and nuclear materials by rail. The two submarines are located in a building four kilometres from the port. It might be feasible to bring them to the port and tow them to Saint Petersburg.

21. In any case, the Estonian authorities believe that it would take only a few months for the Russian authorities to remove the nuclear fuel rods, nuclear reactors and other military equipment. If necessary, the Government of Estonia has expressed its readiness to consider the possibility of asking for the help of the International Atomic Energy Association (IAEA) and of friendly Governments, such as Sweden, to help with the nuclear decontamination of Paldiski. On the other hand, the Russian side claims that the task could not be completed before 1996 or even 1999.

Conclusion

22. My Special Envoy and I are reasonably optimistic that a fair and balanced agreement between Estonia and the Russian Federation, embracing all three elements, can be achieved. On the date of final withdrawal, a compromise between the two sides' positions is feasible. On the status and social benefits of retired Russian military personnel, a reasonable response to Russian concerns would be for Estonia to accept CSCE and United Nations suggestions with regard to the decree that is being formulated to implement the Law on Aliens. An earlier date for the withdrawal of troops from Estonia, especially those at Tallinn, could enable Estonia to be more flexible on other issues. As for Paldiski, the issue is, in essence, technical and not political. Given goodwill on both sides and a willingness to accommodate each other, I am confident that a practical solution can be worked out within a much shorter time-frame than that suggested by the Russian side.

C. Latvia

23. The Russian Federation and Latvia have agreed to negotiate a legally binding agreement providing for the withdrawal of Russian troops from Latvia. So far, the two sides have not been able to agree on a date. Latvia wishes all Russian troops to leave its territory before the end of 1993. The Russian Federation has offered the end of 1994. In this case also, the Russians have explained that they need the longer period because of the acute shortage of

housing in the Russian Federation to accommodate the returnees and because there are some 18,000 troops left in Latvia.

24. The Russian Federation seeks a comprehensive agreement consisting of an agreed date for troop withdrawal, agreement on the status and social benefits of retired Russian military personnel and agreement(s) on three "strategic" facilities, at Skrunda, Venspils and Liepaja.

Date of withdrawal

25. The date for the withdrawal of Russian troops from Latvia is politically and psychologically important to the Latvian authorities. With this in mind, it would be helpful if the Russian side could consider advancing its proposed date, while taking into account the logistical realities of finding accommodation in the Russian Federation for the 18,000 troops and their families. The Latvian side and the international community could help by accelerating the building of housing in the Federation for the returnees.

Retired Russian military personnel

26. The issue of the status and social benefits of retired Russian military personnel in Latvia is difficult for a number of reasons. One is that Latvia has not yet enacted a citizenship law. It is my hope that before this is done Latvia will take into account the views and recommendations made by missions sent by the United Nations, the Council of Europe and CSCE and act positively and expeditiously on the matter.

27. Secondly, the Chairman of the Parliamentary Committee on Human Rights, Ms. Inese Birzniece, told my Special Envoy that there are several points outstanding in the negotiations on the draft agreement on the status and social benefits of retired Russian military personnel.

28. The first point is the cut-off date separating those retirees who are entitled to permanent residence and those who are not. The Latvian side has proposed 4 May 1990 as the cut-off date. The Russian side has counterproposed 28 January 1992, the day on which negotiations began. The former date, being the day on which Latvia regained its independence, would seem the more logical.

29. The second point concerns the fear expressed by some retired persons that they might suffer discrimination. Ms. Birzniece assured the Special Envoy that a law would be passed to ensure that retired Russian persons would be treated equally with Latvian citizens and other residents. In addition she stated that she would propose the creation of an ombudsman and a consultative council on nationalities under the Ministry of Justice.

30. The third point concerns property rights. At present, only cooperative apartments built after 1940 may be privatized. There is a seven-year period during which former owners of such apartments may file claims against their present owners. This means that the Russian owners of such apartments would have to wait seven years before they could sell them. As there is no privatization law in Latvia, the Latvian delegation has objected to a Russian proposal to include in the agreement on the social status and benefits of retired persons provisions on the right to privatize apartments. My Special

Envoy has suggested to Ms. Birzniece that the Latvian Parliament should enact, as expeditiously as possible, a general law on the privatization of apartments.

31. The fourth point relates to health care. Retired Russian persons are naturally concerned about their access to health care after the departure of Russian troops and the closure of Russian military hospitals. The Russian side has proposed to establish, as a replacement for military hospitals, joint ventures that would employ both Latvian and Russian medical personnel and would provide medical treatment for retired military personnel and for other residents of Latvia. The Latvian authorities acknowledge that retired Russian persons residing in the country should have equal access to health care; however, as is the case in Estonia and Lithuania, they oppose the establishment of such joint ventures.

Strategic facilities

32. Russia's three strategic facilities in Latvia constitute another difficult item on the negotiating agenda.

Liepaja

33. Russia has asked Latvia for a special agreement that would permit the retention of Liepaja naval base for a period of five to six years after the date for troop withdrawal. However, during his visit to the port and naval base the Special Envoy was not convinced of its strategic value to the Russian Federation. He was also led to believe that a timetable for the withdrawal of the Russian Navy from Liepaja by the end of 1994 had in fact been drawn up by the Commander of the Baltic Fleet. Thereafter, the Russian Federation wished to reserve the right for Russian warships and merchant ships to visit the port and enjoy the use of its facilities.

Skrunda

34. In the 1960s the Soviet Union built an anti-ballistic missile early-warning system at Skrunda. According to its present Commander, Skrunda covers a segment of the sky that is not covered by any other anti-ballistic missile early-warning system in the Russian Federation. If Skrunda were shut down, it would thus leave a gap in the Federation's anti-ballistic missile defences. For this reason, the Russian Federation has requested Latvia to consider a special lease agreement, by which the Federation would compensate Latvia for being allowed to continue to operate the facility. The Russian authorities have said that they would need 8 to 10 years to build a facility inside Russian territory to replace Skrunda. The Latvians are not sympathetic to the Russian request. They have doubts about the strategic significance of Skrunda and believe that the segment of sky it covers is also covered by other anti-ballistic missile early-warning stations. Latvia's position is that it will consider the retention of the facility at Skrunda only if it comes under international control. The gap between the positions of the Russian Federation and Latvia over Skrunda is wide and will not be easy to bridge. However, my Special Envoy is convinced that with good will on both sides this issue could be resolved.

Venspils

35. According to the Russian authorities, the purpose of the facility at Venspils is to monitor space objects. According to Latvia, the purpose of the facility is to monitor communications in northern Europe, especially among the Scandinavian countries. There is therefore disagreement between the two sides over the nature of the facility and its strategic significance, if any, to the Russian Federation. The latter has requested Latvia to consider a lease agreement for a period of six years. An independent and authoritative assessment of the nature of the facility, its strategic significance to the Russian Federation, if any, and the time it would take for the Federation to replicate it on Russian territory (if she so chose), would be a useful contribution to the negotiations.

Conclusion

36. Although the negotiations between Latvia and the Russian Federation are difficult, my Special Envoy and I believe that it will be possible for the two countries to reach agreement on all three issues if the two sides demonstrate the political will to compromise, if the Russian Federation is prepared to treat Latvia as a fully sovereign and independent State, if Latvia is prepared to take into account practical and political factors of importance to the Russian Federation and if both countries share the vision of building a new future based on sovereign equality, mutual benefit and good-neighbourliness. The Russian personnel who wish to remain in Latvia, like those in Estonia, must be prepared to make the necessary psychological, linguistic and cultural adjustments. At the same time, the continued presence of Russian combat troops at Riga, the capital of Latvia, is understandably offensive to the people of that country. An early withdrawal of those troops would be a gesture of goodwill that would contribute greatly to a successful conclusion of the negotiations.

IV. OBSERVATIONS

37. Following the departure of my Special Envoy from the area, further rounds of negotiations were held between Estonia and the Russian Federation, on 14 and 15 September, and between Latvia and the Russian Federation, on 27 and 28 September. However, no major progress was achieved on the issue of troop withdrawal. In continuation of his mandate, the Special Envoy proposed to the countries concerned that he should resume his consultations with them at the deputy minister level in New York at the end of September or in early October, in order to seek compromises on the outstanding issues related to troop withdrawal. The Russian side replied that it was unable to send representatives to such meetings.

38. Continuing delay in completing the withdrawal of foreign military forces from the territories of the Baltic States is rightly a matter of concern to the international community. It threatens good relations between those States and their large and powerful neighbour and it distracts them from the priority tasks of consolidating their restored independence, rebuilding their economies and healing the wounds of the past.

39. I urge Member States and regional organizations, such as CSCE and the Council of Europe, to continue to take all possible actions to help resolve the remaining questions. In particular I commend Estonia, Latvia, Lithuania, Denmark, Norway, the United States of America and other countries that have joined in a multinational effort to help the Russian Federation build the necessary housing for troops and their families returning from the Baltic States. The faster this housing programme can be implemented, the sooner the Russian Federation will be able to withdraw its remaining troops from Estonia and Latvia. The countries directly concerned can also help by avoiding any statements or actions that may be perceived as provocative or unfriendly. Instead, they should make goodwill gestures towards each other in order to improve the atmosphere for continuing negotiations.

40. For my part, I remain ready to provide my good offices, both directly and through my Special Envoy, to facilitate the early and complete withdrawal of foreign military forces from the territories of the Baltic States in an orderly manner.

UNITED NATIONS

A

General Assembly

Distr.
GENERAL

A/48/502
19 October 1993

ORIGINAL: ENGLISH

Forty-eighth session
Agenda item 123

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

Institutional and administrative arrangements governing the integration of UNDP/OPS in the Department for Development Support and Management Services

Report of the Secretary-General

CONTENTS

		Paragraphs	Page
I.	INTRODUCTION	1 - 5	3
II.	ARRANGEMENTS FOR UNITED NATIONS/OPS TO HAVE THE MAXIMUM POSSIBLE DEGREE OF AUTONOMY	6 - 17	4
III.	COLLABORATION WITH UNDP AND ITS RESIDENT REPRESENTATIVES IN THE FIELD	18 - 22	7
IV.	DEVELOPMENT OF UNITED NATIONS/OPS COLLABORATION WITH OTHER PARTS OF THE UNITED NATIONS SYSTEM, INCLUDING, IN PARTICULAR, WITH THE SPECIALIZED AGENCIES	23	8
V.	ADOPTION OF ADEQUATE PERSONNEL ADMINISTRATION ARRANGEMENTS FOR UNITED NATIONS/OPS	24 - 46	8
VI.	IMPLEMENTATION OF THE SELF-FINANCING PRINCIPLE; THE ESTABLISHMENT OF THE OPS RESERVE FUND, INCLUDING FOR UNDP LIABILITY	47 - 50	12
VII.	ARRANGEMENTS FOR THE PROVISION OF CENTRAL SERVICES TO UNITED NATIONS/OPS	51	13

CONTENTS (continued)

		Paragraphs	Page
VIII.	RULES OF PROCUREMENT FOR UNITED NATIONS/OPS THAT MATCH OR IMPROVE ITS CURRENT ARRANGEMENTS	52 - 57	13
IX.	AUTHORITY TO NEGOTIATE AND CONCLUDE AGREEMENTS FOR ITS SERVICES WITH RECIPIENT GOVERNMENTS, UNITED NATIONS DEPARTMENTS, UNDP, BILATERAL DONORS AND INTERNATIONAL FINANCING INSTITUTIONS	58	14
X.	INTEGRATION OF IMPLEMENTATION FUNCTIONS	59 - 61	14

I. INTRODUCTION

1. In its resolution 47/212 B of 6 May 1993, the General Assembly endorsed the United Nations programme budget revised estimates (A/C.5/47/88), including the Secretary-General's proposal to establish the Office for Project Services (OPS) as a distinct, semi-autonomous entity located in the new Department for Development Support and Management Services (DDSMS). In that resolution the Assembly noted that the modalities, including relevant financial aspects, for the integration of UNDP/OPS into DDSMS would first be considered by the Governing Council of the United Nations Development Programme (UNDP) and subsequently by the Assembly in the light of a report of the Secretary-General on the work of the task force mentioned in his report (A/C.5/47/88). The OPS task force - chaired by the Under-Secretary-General, DDSMS, and including representatives of UNDP, UNDP/OPS, the Executive Office of the Secretary-General and the Department of Administration and Management and the Office of Legal Affairs of the Secretariat - was established to review the procedures to be put in place for the transfer of UNDP/OPS, in the light of a number of conditions enumerated in the budget estimate document relating to the preservation and strengthening of the operational efficiency of UNDP/OPS.

2. The Task Force and its Working Groups in the areas of personnel, finance, procurement and governance met during the first half of 1993 to study modalities for the proposed move, concluding its work with a report submitted to the Secretary-General on 21 May, which was subsequently approved by him.

3. The approved report was submitted by the Secretary-General to the Governing Council (DP/1993/70) and subsequently accepted by it in its decision 93/42, subject to certain requirements and requests for clarifications and reports. In paragraphs 5 (a) to (h) of that decision, the Council requested the following clarifications and solutions to be provided in time for review in an informal session of the Governing Council and by the General Assembly, taking into account the views of the Advisory Committee on Administrative and Budgetary Questions:

(a) Arrangements for United Nations/OPS to have the maximum possible degree of autonomy;

(b) Collaboration arrangements with UNDP and its resident representatives in the Field;

(c) Arrangements to develop United Nations/OPS collaboration with other parts of the United Nations system, including, in particular, with the specialized agencies;

(d) Adoption of adequate personnel administration arrangements for United Nations/OPS;

(e) Arrangements to implement the self-financing principle and establish a reserve fund;

(f) Cost-effective arrangements for the provision of central support services to United Nations/OPS;

(g) Development of rules for procurement for United Nations/OPS that match or improve its current arrangements;

(h) Delegation of authority to United Nations/OPS to negotiate and conclude agreements for its services with recipient Governments, United Nations departments, UNDP, bilateral donors and international financing institutions.

4. The Governing Council requested, in particular, that detailed information on item (d) relating to personnel arrangements be reported on by 1 September 1993. The present document also addresses that specific request of the Council. In addition, the Council requested the Secretary-General to report to it at its forty-first session (1994) on steps taken to integrate functions and to eliminate duplication between DDSMS and United Nations/OPS.

5. For convenience of review in relation to the enumerated concerns of the Governing Council, the text of the present document is organized in keeping with paragraphs 5 (a) to (h) of Council decision 93/42.

II. ARRANGEMENTS FOR UNITED NATIONS/OPS TO HAVE THE MAXIMUM POSSIBLE DEGREE OF AUTONOMY

6. The degree of autonomy to be enjoyed by United Nations/OPS will be reflected in the preservation of its "brand name" and will be a function of its distinct mandate and specific functions within the Department; its separate governance and institutional arrangements, endorsed by the Governing Council and the Secretary-General; and the specific financial, procurement and personnel authorities vested directly in it through a Secretary-General's bulletin to be issued following action of the General Assembly and prior to 1 January 1994, the target date for the transfer of UNDP/OPS to the United Nations.

7. The mandate of the new Office will be the following:

> The Office for Project Services, a distinct, semi-autonomous and self-financing entity will provide management services and implementation functions for development projects and programmes.

8. Its principal functions will be:

(a) To provide direct support services and assume implementation responsibilities in the context of national execution for programmes/projects for the building or strengthening of national capacities to plan, manage and implement development policies, programmes and projects;

(b) To provide management services and assume implementation responsibilities (including administrative and operational services) in relation to national programmes and projects for which the United Nations is the executing agency, especially those of a multisectoral nature, until such time as Governments are prepared to take over those responsibilities;

(c) To assume implementation responsibilities for and/or provide management services for projects and programmes financed by multilateral

institutions and bilateral donors at the global, regional and national levels, at the request of or in consultation with recipient Governments, as appropriate.

9. Governance of the Office will rest with the Governing Council of UNDP under the oversight of the Economic and Social Council and the General Assembly. In his function as Chairman of the Management Board of the Office and on behalf of the Secretary-General, the Under-Secretary-General, DDSMS, will report on the operations of OPS to the Governing Council and submit for its approval a proposed biennial budget for the Office, prior to its consideration by the General Assembly in the context of the United Nations programme budget. The Advisory Committee on Administrative and Budgetary Questions will submit comments and recommendations on the OPS budget to the Governing Council of UNDP prior to the Council's review and approval. The General Assembly will consider, as an extrabudgetary item, the budget approved by the Council when it reviews the regular budget of DDSMS.

10. To better serve the interests of the United Nations as a whole and those of donor and recipient countries, an OPS Management Board will be established with responsibility for ensuring that the mandate of the Office and the directives of the Governing Council and the General Assembly are translated into operational and practical measures. The OPS Management Board will have the following terms of reference:

> The Board will assist the Secretary-General in providing policy and management direction in the functioning of the Office for Project Services of the Secretariat, bearing in mind the specific mandate of the Office and the role of the Governing Council of UNDP. The Board, to be chaired by the Under-Secretary-General, DDSMS, who will report to the Governing Council of UNDP and the General Assembly on behalf of the Secretary-General, will include the Administrator of UNDP and the Under-Secretary-General, DAM. The Secretary of the Board will be the Assistant Secretary-General, Executive Director of United Nations/OPS. The Board of OPS will officially come into being on 1 January 1994.

The functions of the Board will include:

(a) Ensuring the implementation of the mandate of United Nations/OPS;

(b) Maintaining and strengthening the functioning of United Nations/OPS;

(c) Ensuring the appropriateness of rules and procedures for the operations of United Nations/OPS;

(d) Reviewing the biennial programme and budget of United Nations/OPS and related submissions to the Governing Council of UNDP, the General Assembly and other bodies;

(e) Approving requests from the Executive Director of United Nations/OPS for the establishment, within available income, of additional posts below D-1 to be incorporated in subsequent budget submissions;

(f) Ensuring the efficiency of the management, administrative and operational support provided by United Nations/OPS to users of its services;

(g) Guiding the relations of United Nations/OPS with recipient Governments, United Nations departments, UNDP, field offices, other United Nations agencies, bilateral donors and international financing institutions;

(h) Reviewing and evaluating the performance and effectiveness of United Nations/OPS;

(i) Ensuring that adequate central administrative support services are provided to United Nations/OPS.

11. United Nations/OPS will function under the overall supervision of the Under-Secretary-General, DDSMS, and Chairman of the OPS Management Board. However, a number of basic authorities - key to establishing the degree of autonomy and ensuring the efficient operation of United Nations/OPS - in the areas of finance, personnel and procurement will be vested directly in United Nations/OPS and incorporated in the Secretary-General's bulletin described above.

12. In the area of finance, the Financial Regulations and Rules of the United Nations will apply to the activities and operations of United Nations/OPS unless otherwise specified. To ensure maximum autonomy and effectiveness, a number of basic authorities in the area of finance will be delegated to United Nations/OPS by the Controller.

13. All United Nations/OPS income will be kept in a separate account (the "OPS Account") to be established by the Secretary-General in accordance with the Financial Regulations of the United Nations. The funds in the OPS Account, including all unspent and unobligated income from support costs and fees charged by OPS, will be held and administered solely for the purposes and activities of the Office. The account will be established drawing from unspent income that has accrued to United Nations/OPS and DDSMS up till 31 December 1993, according to applicable UNDP and United Nations regulations governing the use of such income.

14. On the basis of the budget approved by the Governing Council, the Controller will issue allotments and authorize staffing tables for the administrative budget of the Office. The latter will have the authority to administer these allotments and staffing tables. Between sessions of the Governing Council, United Nations/OPS, through the Management Board, will have the authority to establish or eliminate posts below the level of D-1 subject to ex post facto approval of the Governing Council. Revised staffing tables will be issued accordingly.

15. With respect to certifying and approving authority, United Nations/OPS will have at least the same arrangements it currently enjoys within UNDP. This means that, at headquarters, financial transactions of the Office will continue to be certified and approved by its officers. Those officers will be designated by the Controller on the recommendation of the Executive Director of United Nations/OPS. All other financial transactions, including payments, will continue to be processed (including data entry) by United Nations/OPS, with UNDP or the United Nations providing treasury services. All financial statements will be prepared by United Nations/OPS for consolidation into the United Nations financial statements.

16. Project imprest accounts will be opened by the UNDP Treasurer or United Nations Controller on receipt of requests from United Nations/OPS. In line with current practice within UNDP, the United Nations Controller will delegate to the Executive Director of United Nations/OPS the authority to designate certifying and approving officers for imprest accounts. United Nations/OPS will also have the authority to issue allotments in respect of project budgets.

17. Within the context of the development of IMIS, United Nations/OPS will avail itself of information systems most suitable for the management of programmes and projects and the control of project funds with a view to ensuring rapid delivery of service. All enhancement or expansion of United Nations/OPS management information systems will take place in the context of IMIS development.

III. COLLABORATION WITH UNDP AND ITS RESIDENT REPRESENTATIVES IN THE FIELD

18. Collaboration between UNDP and the Office for Project Services will be ensured at the policy and operations level through the OPS Management Board, where UNDP is represented by its Administrator.

19. Resident representatives will serve as representatives of United Nations/OPS in the field, as they have in the past. Present arrangements between UNDP/OPS and UNDP field offices, under which UNDP/OPS entrusts to the latter selected project implementation functions in the areas of purchasing, personnel and contracting, will be preserved.

20. In addition, in line with Governing Council decision 93/7 (in particular paragraph (d)) and in accordance with the conditions set forth in the Secretary-General's revised budget estimates (A/C.5/47/88) for the transfer of UNDP/OPS, decentralization already begun in the Office for Project Services - based on functions review and cost analysis - will continue in order to ensure that operational management and services of the new entity are as close to the beneficiaries/clients as the requirements for effective performance allow. The UNDP/OPS decentralization strategy, under way since mid-1992, foresees further and significant decentralization of implementation functions from United Nations/OPS headquarters to the field level.

21. The existing arrangements between UNDP and UNDP/OPS for the reimbursement to field offices for implementation activities related to projects funded under management services agreements and cost-sharing arrangements will continue. However, for core UNDP funds (indicative planning figures and special programme resources), reimbursement arrangements are still to be worked out between UNDP and United Nations/OPS, following the same principles for all projects in which substantial implementation-related tasks are requested from field offices (see DP/1993/45, para. 182, and Governing Council decision 93/42, para. 5 (b)).

22. Resident representatives will continue to monitor and report on the performance of United Nations/OPS to the UNDP Administrator and the Under-Secretary-General, DDSMS, and Chairman of the OPS Management Board.

IV. DEVELOPMENT OF UNITED NATIONS/OPS COLLABORATION WITH OTHER PARTS OF THE UNITED NATIONS SYSTEM, INCLUDING, IN PARTICULAR, WITH THE SPECIALIZED AGENCIES

23. As requested by the Governing Council in its decision 93/42, United Nations/OPS will develop strengthened collaboration with other parts of the United Nations system, through consultations and agreements, in particular with the specialized agencies. Upon request by United Nations departments, other entities and agencies, the Office will be available to provide impartial and cost-effective implementation services. Also, when obtaining necessary technical support for its activities, it will give preferential treatment to the other parts of the United Nations system, including, in particular, the specialized agencies, bearing in mind their mandates and capabilities, and the needs of individual projects and programmes. In these ways, the Office will seek to build upon existing arrangements with a view to promoting a more coordinated approach to development by the United Nations system.

V. ADOPTION OF ADEQUATE PERSONNEL ADMINISTRATION ARRANGEMENTS FOR UNITED NATIONS/OPS

A. Basic principles

24. Consistent with the spirit of the decisions of the Governing Council, the United Nations and UNDP secretariats will make every effort to ensure the maintenance of the effectiveness of the new Office for Project Services through responsive handling of the concerns of all staff.

25. Following the merger with the United Nations, UNDP staff currently serving with UNDP/OPS will be regarded as having been either transferred or on special secondment, to the United Nations. With the exception of those considered to be on special secondment as outlined in paragraph 26 below, all UNDP appointments will be regarded as having been superseded as at 1 January 1994, after consultation with all three parties, by United Nations appointments in a manner that preserves the staff member's contractual status and acquired rights as indicated below:

(a) Those who hold permanent appointments with UNDP will receive permanent appointments with the United Nations;

(b) Those who hold fixed-term appointments with UNDP, including those currently on secondment to UNDP from other organizations, will receive fixed-term appointments with the United Nations for a period not less than the unexpired portion of their UNDP appointments.

26. Subject to satisfactory financial mechanisms to cover UNDP liabilities that may arise in this connection, a certain number of Professional staff who are mobile in terms of UNDP assignments will retain their UNDP appointments but, after consultation with all three parties, will be on special secondment to the United Nations as at 1 January 1994.

B. Arrangements common to both Professional and General Service staff

Post classification

27. Both the United Nations and UNDP apply the International Civil Service Commission (ICSC) common classification standards applicable to Professional and General Service posts. Although now to be administered by the United Nations, the classification procedures will remain the same.

Seniority

28. UNDP staff converted to United Nations appointments will retain their seniority and accrued benefits and entitlements.

Training

29. As per current practice, all staff of the Office will be eligible for United Nations and UNDP training courses as well as the Educational Assistance Programme of UNDP. The Office will reimburse the United Nations or UNDP as appropriate.

Programme for Staff Assistance

30. As is current practice, all OPS staff will have access to the UNDP Programme for Staff Assistance. OPS will reimburse UNDP, on a pro rata basis, for this access.

Staff currently on secondment to UNDP/OPS from other agencies

31. Arrangements will be made so that staff currently on secondment to UNDP/OPS from other organizational entities will have their secondments transferred to the United Nations by the releasing organization, in accordance with the Inter-organization Agreement concerning Transfer, Secondment or Loan of Staff Among the Organizations Applying the United Nations Common System of Salaries and Allowances.

Carry over commitments

32. Decisions of the UNDP Administrator affecting UNDP/OPS staff, coming into effect in 1994 but arising out of the 1993 performance/work-plan year, will be recognized by the new Office, including promotions, reassignment scheduling and contract renewals.

Staff/management relations

33. Following the merger, OPS staff will be represented by the United Nations Staff Union, which, under chapter VIII of the Staff Rules, is the sole and exclusive representative body. The Staff Union is a member of the Coordinating Committee for Independent Staff Unions and Associations of the United Nations System for the purpose of representing staff interests in inter-organizational bodies such as the Administrative Committee on Coordination, the Consultative Committee on Administrative Questions and ICSC.

C. General Service staff issues

Special post allowance

34. All OPS General Service staff assigned to a post graded at a higher level than their own personal grade will be eligible for special post allowance under the United Nations Staff Rules.

G to P examinations

35. All OPS General Service staff will have the same eligibility as all other United Nations staff to sit for the G to P competitive examination.

Access to UNDP

36. All OPS General Service staff may apply for vacancies within UNDP and be considered, consistent with existing arrangements.

Appointment and promotion mechanism

37. The appointment and promotion mechanism for all OPS General Service staff will be the same as that for all United Nations General Service staff.

Performance appraisal

38. In order to ensure that OPS General Service staff are eligible for vacancies on an equal footing with all other United Nations staff, their performance will be evaluated using the United Nations performance evaluation review system. OPS may utilize the UNDP performance appraisal review system as a management tool.

D. Professional staff issues

Special secondment 1/

39. Following the decisions of the Governing Council, which, inter alia, called for appropriate arrangements to maintain the present rotation mechanism with UNDP, and subject to satisfactory financial mechanisms to cover UNDP liabilities that may arise in this connection, the following provisions will apply with respect to UNDP staff on special secondment to the United Nations as at 1 January 1994:

(a) In order to ensure a continuous infusion of field experience into United Nations/OPS, only Professional staff who are mobile with regard to UNDP assignments would be eligible to have the option to be considered for special secondment to OPS while maintaining their UNDP contracts. It is anticipated that at the time of the merger approximately 50 staff will fall into this category;

(b) During the period of special secondment to OPS, the staff members will retain their existing UNDP appointment and be offered a fixed-term appointment with the United Nations for the agreed period of special secondment. During the

special secondment, the staff members will be subject to the Staff Regulations, Staff Rules and practices of the United Nations;

(c) Upon the expiry of the special secondment, any financial liability that may occur as the result of this arrangement will be covered by a special reserve fund established for this purpose, as outlined in paragraph 50;

(d) In the context of the UNDP annual reassignment exercise, UNDP staff will be able to apply for vacancies in OPS and, if selected, be seconded.

40. In keeping with UNDP provisions, whereby headquarters assignments are for four to six years, approximately 10 staff members on special secondment to OPS will be expected to return to UNDP each year and will to this effect receive the UNDP compendium of vacancies. A staggered and continuous rotation will also protect OPS from rapid turnover and loss of experienced staff.

41. All Professional staff of OPS who are not on special secondment from UNDP and who wish to apply will also be considered for vacancies with UNDP on secondment from the United Nations.

Transfers

42. Since UNDP/OPS staff who will transfer to the United Nations had joined UNDP with the expectation of broad career opportunities within UNDP, these staff members will be issued, as an exceptional and one-time action, contracts not limited to United Nations/OPS. As a result, they would be considered internal candidates for vacancies in the United Nations.

Administration

43. After the effective date of the merger, the OPS staff will be administered by the United Nations with delegation of authority to the Office similar to that enjoyed by other voluntarily funded operational entities within the United Nations system.

Appointment and promotion mechanism

44. As a semi-autonomous, self-financing entity, OPS may consider establishing under delegated authority its own appointment and promotion mechanisms for Professional staff whose contracts are limited to the Office.

Performance appraisal

45. Until a new United Nations evaluation/appraisal system is developed, the existing arrangements as currently applicable will apply to staff from UNDP/OPS and DDSMS, respectively. OPS may utilize the UNDP performance appraisal review mechanism as a management tool.

E. Project personnel services

46. In project personnel matters, OPS will continue to perform the following tasks:

(a) Recruitment and administration of international project staff in the field (under the 200 series Staff Rules and under short-term appointment arrangements currently being developed);

(b) Authorization of resident representatives to recruit and administer local staff and national professional project personnel;

(c) Engaging the services of international short-term consultants.

VI. IMPLEMENTATION OF THE SELF-FINANCING PRINCIPLE; THE ESTABLISHMENT OF THE OPS RESERVE FUND, INCLUDING FOR UNDP LIABILITY

47. OPS will be a self-financing entity with its operations and activities funded from the OPS Account, without cost being incurred for the regular budget of the United Nations or for that of UNDP. As a self-financing service organization that must respond to changing demands from its partners (recipient Governments, United Nations departments, UNDP, field offices, other United Nations specialized agencies, bilateral donors and international financing institutions), OPS will be able, with guidance from the OPS Management Board, to adapt its operational policies and invest and disinvest in itself according to the demand for its services and the income they generate.

48. In order to provide for satisfaction, if necessary, of OPS liabilities related to all its staff, and other contingencies that the Office, as a self-financing organization, may have to meet in the future, such as write-offs, ex gratia payments and so on, OPS will establish the necessary reserve funds, which will be created from resources available to UNDP/OPS and DDSMS.

49. Bearing in mind the estimated assets, liabilities and unspent income of OPS as at 1 January 1994, the OPS Management Board will submit a proposal to the Governing Council as regards the size of the OPS Reserve Funds and the modalities for their establishment and maintenance.

50. While the agreement to second UNDP Professional staff to OPS is in line with the decisions of the Governing Council, UNDP is by no means to bear any costs related to this agreement, and therefore has to protect itself against any possible liability. Therefore, under Governing Council authority, an amount shall be earmarked from UNDP/OPS resources prior to 1 January 1994 to cover possible termination or transitory costs, which otherwise might be attributable to UNDP, in respect of staff on special secondment from UNDP to OPS on 1 January 1994. The amount earmarked, to be held in the appropriate OPS Reserve Fund, will not exceed 50 per cent of the potential liability and OPS will be responsible for maintaining the earmark at the decided level. As UNDP exposure diminishes, the size of the earmark will be reduced proportionately. When the need for an earmark no longer exists, it will be lifted and those resources freed for other purposes in the appropriate OPS Reserve Fund.

VII. ARRANGEMENTS FOR THE PROVISION OF CENTRAL SERVICES TO UNITED NATIONS/OPS

51. The OPS Management Board will ensure that OPS utilizes the most cost-effective central services, including those of the United Nations Secretariat and UNDP.

VIII. RULES OF PROCUREMENT FOR UNITED NATIONS/OPS THAT MATCH OR IMPROVE ITS CURRENT ARRANGEMENTS

52. The Under-Secretary-General, DDSMS, will be responsible for procurement functions of United Nations/OPS. The Executive Director, OPS, will have authority at least equivalent to that which he currently has under delegation from the Assistant Administrator, Bureau for Finance and Administration, UNDP.

53. In this regard, in paragraph 5 (g) of its decision 93/42, the Governing Council stressed that the Office for Project Services, after its transfer to the United Nations, must retain and improve further its present rules of procurement. In his report to the Governing Council (DP/1993/70), the Secretary-General stated that, in order to achieve this goal, certain basic authorities would be granted to the new Office as follows:

(a) The Financial Regulations and Rules of the United Nations will apply to OPS activities and financial operations;

(b) To the extent they do not already exist in the United Nations, provisions equivalent to articles VI, XIV, XVI and XVII of the UNDP Financial Regulations and Rules will be promulgated by the United Nations to apply to the activities and operations of OPS;

(c) Until such time as such a promulgation takes place, the above articles will apply mutatis mutandis;

(d) The Executive Director of OPS will have the authority to establish project procurement procedures, with the advice and consent of the OPS Management Board;

(e) Procurement under the OPS administrative budget will be under the United Nations Financial Rules and its Committee on Contracts. Broad delegation of authority, however, will be granted to the Office in order to respond rapidly to the needs of its business.

54. In addition, the Secretary-General indicated that, if necessary, special financial regulations and rules might be established to take account of the special requirements of the Office, in the light of experience and after consultation with the OPS Management Board, subject, as appropriate, to review by the Advisory Committee for Administrative and Budgetary Questions.

55. Prior to the transfer of UNDP/OPS to the United Nations on 1 January 1994, the Secretary-General intends to approve or, if appropriate, obtain the approval of the provisions referred to in paragraph 53 (b) above.

56. The United Nations will issue a Secretary-General's bulletin incorporating the basic authorities and provisions referred to above which may also include, based upon the OPS Management Board's review of UNDP/OPS procurement practices and needs, additional provisions such as the creation of a discrete project contracts committee or panel dedicated to OPS matters.

57. In the light of further experience, the OPS Management Board will, after OPS is transferred to the United Nations, consider whether additional changes might be required, such as higher financial thresholds for OPS.

IX. AUTHORITY TO NEGOTIATE AND CONCLUDE AGREEMENTS FOR ITS SERVICES WITH RECIPIENT GOVERNMENTS, UNITED NATIONS DEPARTMENTS, UNDP, BILATERAL DONORS AND INTERNATIONAL FINANCING INSTITUTIONS

58. OPS will have the authority to negotiate and conclude agreements - including management services agreements, inter-agency letters of agreement, letters of understanding and so on - for its services with recipient Governments, United Nations departments, UNDP, bilateral donors and international financing institutions, in line with UNDP's role as specified in paragraph 6 of decision 93/42, which supports the continuing role to be played by UNDP in the development of, and as signatory to, management services agreements as specified in paragraph 7 of the report of the Administrator (DP/1993/20).

X. INTEGRATION OF IMPLEMENTATION FUNCTIONS

59. A detailed report on this subject will be submitted to the Governing Council of UNDP at its forty-first session (1994), as requested in paragraph 4 of its decision 93/42. The integration process, once completed, will ensure that all duplication of functions is eliminated by transferring those functions in their entirety to OPS. At United Nations Headquarters, therefore, no other department in the economic and social sector will carry out implementation functions or maintain separate implementing capabilities. The transfer of those functions to OPS will be accompanied by the transfer of the necessary resources.

60. The strengths of the two organizations will be combined to create a new and stronger entity. The similar functions of the present DDSMS relating to implementation and management services will be integrated and harmonized at a non-disruptive pace with those of the existing structure of OPS, with the aim of eliminating duplication and realizing, on the basis of the self-financing principle, the considerable potential for economies inherent in such integration. The integration of functions should result eventually in savings through economies of scale and the elimination of redundancies. It is also expected that all staff of the new Office for Project Services will be physically located on the premises currently housing UNDP/OPS.

61. The OPS Management Board will establish a working group to draw up the detailed plans for the integration, including an assessment of the impact of the functional integration on both the Professional and General Service staff of DDSMS and UNDP/OPS to serve in the new Office.

Notes

1/ The Inter-organization Agreement concerning Transfer, Secondment or Loan of Staff Among the Organizations Applying the United Nations Common System of Salaries and Allowances will apply to special secondment unless otherwise stipulated among the parties concerned.

UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/48/502/Add.1
16 November 1993

ORIGINAL: ENGLISH

Forty-eighth session
Agenda item 123

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

Institutional and administrative arrangements governing the integration of UNDP/OPS in the Department for Development Support and Management Services

Report of the Secretary-General

Addendum

Organizational and budgetary arrangements for United Nations/OPS

1. The present document supplements the information provided by the Secretary-General in document A/48/502, Institutional and administrative arrangements governing the integration of UNDP/OPS in the Department for Development Support and Management Services (DDSMS). It provides further information on organizational and budgetary arrangements for UNDP/OPS. According to the proposed reporting arrangements for OPS, its budget is to be submitted to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for review before submission to the UNDP Governing Council for approval.

I. FUNCTIONAL AND ORGANIZATIONAL INTEGRATION

2. The incorporation of UNDP/OPS into the Department for Development Support and Management Services as a distinct semi-autonomous entity is predicated upon the integration into OPS of the implementation functions currently carried out by the Department. The Governing Council of the United Nations Development Programme requested that a detailed report on this subject be submitted to it at its forty-first session in 1994. The basic steps towards integration, however, will be taken as of 1 January 1994 along the lines described in the paragraphs below.

3. Key to a successful portfolio integration is firm agreement on how to carry out the programme/project management functions. It has been concluded that such functions in respect of the current portfolio of the Department for Development

Support and Management Services will be performed within the current structure of OPS and follow its traditional management approach and work modalities. It follows, therefore, that as of 1 January 1994, all United Nations/OPS implementation activities will be uniformly managed.

4. In order to ensure the maximum degree of coordination: (i) for projects for which it is the executing agency, the Department will create a Project Review Committee, with United Nations/OPS' participation as required; (ii) for all projects implemented by the Office, the current Project Acceptance Committee (PAC) will continue to operate under its existing procedures with the participation of the Department, as required.

5. In respect of organizational arrangements, the Department will maintain two substantive divisions responsible for carrying out the Department's regular budget functions, project execution responsibilities, and technical support services. In an initial phase, United Nations/OPS will maintain the present UNDP/OPS functional and organizational structure, made up of six Operations and three Support Divisions, outlined in detail below:

A. Project Operations Divisions

6. Five current OPS Operations Divisions (three regional divisions, one sectoral division and one regional/thematic division) will carry out all programme/project management functions for the entire portfolio of the new Office.

7. The loan administration and project supervision activities related to the International Fund for Agricultural Development, so far carried out by DDSMS staff, will be integrated into the sixth OPS division, i.e., the Division for IFAD.

8. Project Management Officers will continue to be the focal points for all project management functions and the initiators of all actions related to the implementation of United Nations/OPS projects. In this regard, the Divisions' current organizational structure will be maintained, with DDSMS staff being absorbed as appropriate.

B. Support Divisions

1. Projects Management Support Division

9. The functions of the present OPS Projects Management Support Division will be maintained. The Division will provide all implementation support services necessary for directly obtaining, or otherwise assisting the United Nations/OPS Operations Divisions in obtaining the goods, services, civil works, human resources, training and other inputs required in respect of the four main project budget components. In this regard, the present organizational structure of the Division will continue, with the absorption of staff from the Department for Development Support and Management Services as appropriate:

(a) An integrated United Nations/OPS Purchasing Section will procure goods, equipment and supplies for all the projects of the Office and those financed by its administrative budget (except as indicated in para. 10 (c) below);

(b) An integrated United Nations/OPS Projects Personnel Section will obtain the services of individual project experts, consultants and support staff;

(c) An integrated United Nations/OPS Fellowship and Training Section will arrange for all project training activities.

10. Further, the following Units and Sections of the new Office will continue their respective functions (with absorption of the corresponding functional capacities and/or DDSMS staff, as appropriate) as follows:

(a) The OPS Contracts Unit will continue to provide advisory services and support to the Project Management Officers of the Operational Divisions of the new Office, which are primarily responsible for obtaining and administering the services of entities for consulting assignments, civil works, etc., related to all projects;

(b) The OPS Consulting Services Unit will continue to establish and maintain computerized roster systems for individual project personnel and consulting firms, as well as to provide information to the private sector and government trade representatives interested in doing business with the Office;

(c) The OPS Management Services and Special Procurement Section will continue to provide advisory services in respect of all Management Services Agreements (MSAs) carried out by the Office, as well as to undertake directly procurement activities required by the present OPS Japanese Procurement Programme, OPS Nordic consultancy funds, etc., and to provide directly other United Nations/OPS technical support to procurement projects for Governments.

2. Finance and Administration Division

11. The functions of the present OPS Finance and Administration Division will be maintained. The Division will provide all accounting, budget and other financial services necessary for assisting the Operations Divisions to manage the projects of the new Office. It will also be responsible for preparing the United Nations/OPS administrative budget and for monitoring the corresponding allotments. Under delegated authority from the Secretary-General, the Division will be responsible for administering the Headquarters staff of the Office and providing general services. In this regard, the present organizational structure of the Division will be retained (with the absorption of corresponding DDSMS staff, as appropriate).

12. Integrated United Nations/OPS Finance and Budget Sections will carry out or be involved in all accounting, budgetary and other financial responsibilities for United Nations/OPS project and administrative budgets, as described below:

United Nations/OPS Administrative Budget and Expenditures

13. United Nations/OPS resources will be kept in a separately identified account called the "OPS Account". Effective 1 January 1994, the account will be established by transferring into it the balance of funds available to OPS in line with existing Governing Council provisions, as well as an appropriate amount of resources from the United Nations Overhead Account attributable to the unspent income of the Department for Development Support and Management Services from Administrative and Operational Services (AOS).

14. All income earned by United Nations/OPS and all the administrative expenditures of the Office will be credited and debited to this account respectively. Allotments for the administrative budget of United Nations/OPS will be issued by the Office of Programme Planning, Budget and Finance (OPPBF). The corresponding expenditures will be recorded in the United Nations General Ledger.

15. Between sessions of the Governing Council, United Nations/OPS, through the Management Board, will have the authority to establish or eliminate posts below the level of D-1 subject to ex post facto approval of the Governing Council of UNDP. Revised staffing tables will be issued accordingly.

United Nations/OPS Project Budgets and Expenditures

16. Effective 1 January 1994 and until such time as the Integrated Management Information System (IMIS) becomes fully operational, two sets of project accounts will be established and maintained for the recording of expenditures for technical cooperation activities - one in UNDP's books, for projects currently implemented by OPS; the other, in the United Nations books, for projects currently implemented by DDSMS. Delegations of authority now granted by the United Nations Controller to DDSMS, and by the UNDP Director of Finance to OPS, in respect of the project finance and budgetary functions, will also, effective 1 January 1994, be continued under the authority of the United Nations Controller.

17. In respect of certifying and approving authority for project accounts, United Nations/OPS will have at least the same arrangements it currently enjoys within UNDP. This means that the staff of the Office will be designated as certifying and approving officers by the Controller on the recommendation of the OPS Executive Director, as is the case in respect of the Administrative Budget.

18. Effective 1 January 1994 UNDP will continue to perform investment services for OPS funds as well as payment services related to the current portfolio of the new Office. These responsibilities will be transferred to the United Nations as soon as the IMIS Treasury functions become fully operational, unless otherwise agreed by the Management Board.

19. Effective 1 January 1994, the United Nations will be responsible for the internal audit functions for the OPS portfolio. The United Nations may, if and when necessary, request the UNDP Internal Audit to assist in the performance of such functions.

20. Since the United Nations Disbursement Section, even now, is responsible for payroll functions in regard to OPS staff, no changes are necessary.

21. A description of the respective responsibilities of the United Nations, UNDP and OPS with regard to treasury, accounts and other services will be included in the Secretary-General's Bulletin.

22. The OPS Administration Section will handle all administrative aspects of the new Office. It will support the Executive Director of the Office in the discharge of authority delegated to him/her with regard to OPS staff matters. Such delegated authority will be similar to that enjoyed by other voluntarily funded operational entities within the United Nations system. A detailed description of the respective responsibilities of the United Nations/OPS Administration Section and the Office of Human Resources Management, with respect to the administration of the staff regulations, rules and procedures, will be included in the Secretary-General's Bulletin. The Secretary-General's Bulletin will also outline the responsibilities of the Administration Section for office premises, registry, communications and other general services, as required.

3. Policy, Planning and Information Division

23. The functions of the present OPS Policy, Planning and Information Division will be maintained. The Division will be responsible for all policy and strategic planning initiatives. The Division will also be in charge of public information/relations, streamlining of procedures and decentralization. In addition, the Division will convene and service the OPS Project Acceptance Committee, as well as provide information systems support through its Information Section, which is in charge of all aspects of information systems and office automation. In this regard, the present organizational structure of the Division will be retained with the absorption of DDSMS staff, as appropriate.

II. BUDGETARY ASSUMPTIONS

A. Resource base

24. As of 31 December 1993, OPS estimates that it will have accumulated in its account unspent income of approximately US$ 7.0 million. The corresponding amount of overhead resources accumulated in the United Nations accounts and related to the DDSMS portfolio is estimated at approximately US$ 2.0 million. Therefore, the United Nations/OPS is projected to have an opening balance of approximately US$ 9.0 million as of 1 January 1994. The actual amount of this balance will depend upon the actual income and expenditure performance of OPS and DDSMS in 1993. This information will be available upon the closing of the 1993 accounts.

25. An amount of US$ 6.6 million from the above-mentioned resources will be reserved to discharge any potential United Nations/OPS liability in respect of its operations. This amount represents 15 per cent of the estimated 1994 administrative expenditures of United Nations/OPS. Of this US$ 6.6 million, an

amount not to exceed US$ 2.5 million will be earmarked to cover potential liability of UNDP for its staff on special secondment to the United Nations. As UNDP exposure diminishes, the size of the earmarking will be diminished proportionally and the related resources will remain part of the overall reserve.

26. The balance - currently projected at US$ 2.4 million - will be available for other contingencies including shortfalls in income.

B. Estimated 1994-1995 income

27. It is estimated that in 1994 and 1995, United Nations/OPS will manage a combined portfolio of US$ 1.6 billion: US$ 1.3 billion from OPS and US$ 300 million from DDSMS. The estimated combined income to be earned from these portfolios amounts to approximately US$ 88 million: US$ 72 million from the OPS portfolio and US$ 16 million from the portfolio of the Department for Development Support and Management Services.

28. The United Nations/OPS budget is to be fully covered by income from the following: (i) AOS and other support costs earned as implementing agency for DDSMS and the Department for Economic and Social Information and Policy Analysis (DESIPA) executed projects; (ii) AOS costs from the implementation of projects UNDP executes directly; (iii) AOS costs from both nationally executed (NEX) projects and agency-executed projects when United Nations/OPS is implementing agency; (iv) management fees from MSAs funded by multilateral/bilateral donors.

1. Estimated administrative expenditures

29. The total estimated administrative expenditures of the United Nations/OPS for the biennium 1994-1995 will amount to US$ 88 million. A breakdown of the 1994-1995 estimated expenditures is provided below in table 1.

Table 1. United Nations/OPS biennial budget estimates - 1994-1995

(In thousands of US dollars)

Object of expenditure	UNDP/OPS estimates 1/	Transfer from DDSMS	Total United Nations/OPS
Established posts	26 191.1	5 863.5	32 054.6
Temporary assistance	502.2	139.3	641.5
Consultants	819.6	278.7	1 098.3
Overtime and night differential	606.5	139.6	746.1
Common staff costs	14 117.3	3 190.2	17 307.5
Other staff travel	1 611.8	400.0	2 011.8
Information contracts including printing and binding	245.2	43.3	288.5
Translation	70.5		70.5
Systems Development Contracts	2 000.0		2 000.0
Sub-contracts	1 025.5	310.0	1 335.5
Rental and maintenance of premises	4 811.1	1 254.2	6 065.3
Utilities	277.5	65.2	342.7
Rental and maintenance of furniture, equipment and vehicles, including maintenance supplies	195.7		195.7
Communications	2 268.0	505.5	2 773.5
Hospitality	18.2	5.0	23.2
Miscellaneous services	400.6	114.7	515.3
Stationery and Office Supplies, including internal reproduction supplies	956.5	212.0	1 168.5
Office furniture and equipment	395.9	1 254.7	1 650.6
Microcomputers hardware/software	717.9	160.0	877.9
Vehicles	16.1		16.1
UNDP reimbursement for NYCS/ICC	531.3		531.3
SUBTOTAL	57 778.5	13 935.9	71 714.4
Reimbursement for Central Services 2/	9 822.3	2 369.1	12 191.4
Reimbursement to UNDP field office	4 000.0		4 000.0
TOTAL	71 600.8	16 305.0	87 905.8

(Footnotes on following page)

(Footnotes to table 1)

1/ At its June 1993 session, the Governing Council approved a budget for OPS for the 1994-1995 biennium in the amount of $73,197,000 with staffing resources totalling 247 posts (Governing Council decision 93/35). This revised budget provides for 238 posts, 9 posts having been frozen in view of revised income projections.

2/ For budget purposes, a rate of 17 per cent of the subtotal is used.

Note on income and transfers to field offices:

The estimated income for 1994 and 1995 is $34 million per year, or $68 million for the biennium, and $72 million in gross. The gross amount takes into account the transfer of approximately $2 million per year to the UNDP field offices from income earned on MSAs and cost-sharing projects.

2. Staffing requirements

30. The overall staffing requirements of United Nations/OPS for the biennium 1994-1995 are currently estimated at 296. This includes an estimated 58 posts that could be redeployed from the former staffing table of the Department for Development Support and Management Services. The actual number, functions, levels and contract status of the DDSMS staff to be redeployed will be determined on the basis of a thorough and complete analysis of the combined portfolio and individual staff profiles prior to the transfer. A tentative breakdown of the posts by level is provided below in table 2.

Table 2. United Nations/OPS staffing requirements for the 1994-1995 biennium

Level	UNDP/OPS posts	DDSMS posts	Grand total
Professional category and above:			
Assistant Admin.	1	0	1
D-2	1	0	1
D-1	8	1	9
P-5	29	3	32
P-4	24	8	32
P-3	19	7	26
P-2/1	7	0	7
Total	89	19	108
General Service category:			
Principal levels	50	5	55
Other levels	99	34	133
Total	149	39	188
Grand total	238	58	296

3. Reimbursement for central services

31. The new Office will compensate the United Nations or UNDP for services rendered. To this end, an assessment is being conducted with a view to establishing rates applicable for 1994. For budgetary purposes only, an indicative amount based on past experience is included in table 1.

32. Existing arrangements between UNDP and OPS for reimbursements to field offices in respect of implementation activities related to projects funded under Management Services Agreements and cost-sharing arrangements will continue to apply. However, as reflected in the presentation of the UNDP 1994-1995 biennial budget, these arrangements would need to be expanded to cover all projects (regardless of sources of financing) in which substantial implementation-related tasks are requested from field offices.

UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/48/502/Add.2
17 November 1993

ORIGINAL: ENGLISH

Forty-eighth session
Agenda item 123

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

Institutional and administrative arrangements governing the integration of UNDP/OPS in the Department for Development Support and Management Services

Report of the Secretary-General

Addendum

Financial regulations and rules to govern United Nations/OPS activities and operations

1. The Secretary-General, in his report on institutional and administrative arrangements governing the integration of UNDP/OPS in the United Nations Department for Development Support and Management Services (A/48/502), indicated the conditions under which OPS would function following its integration in the Department. Following further examination of the issues relating to the integration of OPS, in particular with regard to the Financial Rules, the Secretary-General is pleased to clarify some of the provisions contained in section VIII of that report, "Rules of procurement for United Nations/OPS that match or improve its current arrangements".

2. Paragraph 53 (a) should be replaced by: "Subject to paragraph 53 (b) below, the Financial Regulations and Rules of the United Nations shall apply to the activities and financial operations of OPS. The Secretary-General will establish special Financial Rules to take account of OPS special requirements after consultation with the OPS Management Board and with the Advisory Committee on Administrative and Budgetary Questions." Paragraph 54 is hereby superseded.

3. Paragraphs 53 (b) and (c) should be replaced by a new paragraph 53 (b): "Until such time as the special Financial Rules for OPS referred to in paragraph 53 (a) above are promulgated, Articles VI, XIV, XVI and XVII of the UNDP Financial Regulations and Rules shall apply, mutatis mutandis, to the activities and financial operations of OPS."

4. A new paragraph 53 (c) is hereby added: "Until such time as the special Financial Rules for OPS are promulgated, procurement by OPS under OPS project budgets shall be under Article XIV of the UNDP Financial Regulations and Rules, and, for this purpose, the Contracts Committee shall provide advice to the Under-Secretary-General in charge of the Department for Development Support and Management Services on procurement actions."

5. Paragraph 53 (d) remains unchanged and is provided herewith for ease of reference: "The Executive Director of OPS will have the authority to establish project procurement procedures, with the advice and consent of the OPS Management Board."

6. Paragraph 53 (e) remains unchanged and is provided herewith for ease of reference: "Procurement by OPS under the OPS administrative budget shall be under the United Nations Financial Rules and its Committee on Contracts. Broad delegation of authority, however, will be granted to the Office in order to respond rapidly to the needs of its business."